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U.S. Department of Agriculture • Office of Governmental and Public Affairs

Remarks prepared for delivery by Deputy Secretary of Agriculture Richard E. Lyng, American Meat Institute, Chicago, Ill., Oct. 12, 1981

"USDA - YESTERDAY, TODAY AND TOMORROW"

President Abraham Lincoln established the United States Department of Agriculture in 1862.

With such a distinguished sponsor one would expect the Department of Agriculture to have strong acceptance and survive with vigor. But that was not entirely the case. Just thirty-seven years later, at the very time when USDA was being raised to Cabinet rank, congressmen expressed the hope that the Department would quickly serve its purpose and be phased out. The Chairman of the House Committee on Agriculture said "the controlling idea in establishing the Department is that our vast nation should be examined to ascertain what can be most successfully produced in its various sections." Then he immediately added: "Experiments in this direction cannot be profitably conducted forever. Sooner or later the work of the Department should be closed, and meanwhile I cannot see why the farmer should not . . . learn to experiment for himself . . . and act for himself without reference to government aid."

With all the budget cutting going on in Washington, some of you may wonder whether we're on the verge of verifying the good Chairman's wishes and closing USDA down! Perhaps a few of you would say, "that's a good idea." Well, it is not going to happen. USDA is not going to be closed down or dismantled. But, as has been true from time to time ever since President Lincoln started the Department, great changes are taking place now.

The American Meat Institute has had a long acquaintanceship, a long relationship with USDA. Your organization was started at the same time that the Federal government first began to inspect meat plants. Some would suggest a curious coincidence.

Since that time your close involvement in such areas as meat inspection, meat grading, animal health, packers and stockyards

regulations, livestock statistics, supply-demand forecasts, livestock research, foreign market development, and meat import regulations, have kept you in close touch with USDA. It has been a changing relationship for you, sometimes stormy, occasionally gloomy and discouraging, almost always frustrating to some. But, as I view it, the meat industry has benefited greatly from the regulatory and service activities of the department. There should be no need for me to list examples of these benefits to this audience. They are tightly woven into the basic fabric of our meat production, meat processing, and meat distribution systems. They are an important part of a U.S. meat system which provides the finest quality meats, the greatest quantity and variety of meats, and the lowest priced meats to the consumer of any place on earth.

The United States Department of Agriculture will continue, even though changing, to maintain a vital role in this framework. If that be so, what will be different in the days ahead? To be able to see the future more clearly it is sometimes helpful to look at the past.

The Department of Agriculture a hundred years ago was very small. It was a part of a government which was very small.

A hundred years ago, USDA's budget was $264,000. The total federal outlays were $260.7 million. At that time, USDA had not begun to study such matters as farm prices. But the Department's research tradition was already underway. The Division of Botany was instrumental in importing various plants and seeds. California's navel orange industry began as the result of cuttings brought into the U.S. from Brazil at this time. The Department also took its first step toward the regulation of industry. In 1883, the Division of Chemistry began to examine butter for adulteration. A Veterinary Division was established, charged with conducting research on animal diseases and enforcing regulations concerning the importation and transportation of animals.

Even 50 years ago in 1931, USDA was quite small by comparison with today. It's budget was $371.6 million. The federal budget was $3.6 billion.

As a matter of fact USDA was much smaller even 5 years ago with a budget of $15.6 billion. The Federal government's budget in that year 1976 was $366 billion.

Our outlays for 1981, the fiscal year just ended, were $26 billion dollars and the Federal government outlays were $661 billion.

	USDA	U.S. Gov't
1881	$264 thousand	$261 million
1931	372 million	3.6 billion
1976	15.6 billion	366 billion
1981	26 billion	661 billion

These numbers tell a story of change, of growth, and, of course, they reflect an unprecedented inflation. To a considerable extent they were the cause of inflation.

The role of USDA, a small agency in a small government, changed greatly in the 1930's. In 1932, the realized net income of farmers was less than one-third of what it has been in 1929. The Agricultural Adjustment Act of 1933 gave sweeping new authorities to USDA to do something to improve farm income. Production controls, quotas, acreage diversion, government payments and support purchases, government ownership of huge quantities of farm commodities followed. In order to carry out these programs, President Roosevelt by executive order, set up the Commodity Credit Corporation. The Corporation's first price support loan was made on the 1933 cotton crop. USDA officials justified the loan as an "emergency" measure.

Following the worldwide disruptions of World War II, there was a period of farm prosperity while demands strained supplies for several years. But during the 1950's and the 1960's USDA was almost steadily active in efforts to manage farm production, commodity supplies, and farm prices. This was a period of low inflation, by today's standards, and the nation's farmers, faced with almost no change in the prices they were receiving, were able to achieve a degree of prosperity by enormous gains in productivity. The gains in corn yields, for example, went from 36.2 bushels per acre in 1951 to 88.1 bushels per acre in 1971. Total corn production, in spite of government controls, leaped from 2.6 billion bushels to 5.6 billion bushels during this twenty-year period. At the same time the production of soybeans jumped from 284 million bushels to 1.1 billion bushels.

An abundant supply of feed grains, of corn and soybeans, brought tremendous increases in red meat supplies, and it brought spectacular

growth of a new farm industry—the integrated broiler production system.

As the 1960's drew to a close there were increasing demands from the farm and food sector to reduce the role of government in the farm production and pricing system, to allow the market to have a far greater influence. This was caused, at least in part, by an awakening to the export potential of U.S. farm products.

As the decade of the sixties came to an end our farm exports were reaching a record $6 billion per year. The 1970's brought enormous increases in exports. The sharp drop in the relative value of the dollar, the effects of more market-oriented farm programs, and the recognition throughout the world of the productive efficiency of U.S. farmers made possible an entirely new role for U.S. agriculture. Agriculture has now become the most important single export sector of our economy. This year we will export aobut $45 billion worth of farm products, bringing large favorable trade balances at a time when we need them so badly.

As all of these farm changes were happening, government, sad to say, continued to grow, and USDA continued to grow; both, it now seems clear, at far faster rates than was necessary.

By the fall of 1980, with inflation at a record rate, with the economy stagnant, with enormous government deficits, with unemployment high, the people of this nation were offered an alternative by President Ronald Reagan. They accepted the offer and the Reagan Administration, of which I am a part, is now implementing the promised changes.

I will not go into the details of the Reagan economic plan. You are all fully aware of the successful first effort to reduce government spending, the on-going, vigorous work at reducing unneeded or excessive government regulation, and the incentive-stimulating reductions in federal tax laws. These are the beginning steps in the President's program to reduce the size of government, to balance the federal budget, and to stimulate the private sector.

President Reagan's program will work! But it must be given some time. Actually, the problems we all face today—the severe economic problems your industry is suffering right now, the high interest rates, the soft economy, the weak demand for your products—are all the results of actions taken long ago. Most of you here are business

executives, managers who know that when you take over a sick business operation it takes time to turn it around. The U.S. Government is far more difficult to turn around. The momentum of past commitments makes it ponderously slow to change direction. But it is being done and it will be successful.

What will this Reagan Revolution mean to U.S. agriculture, to the U.S. Department of Agriculture? Well, we've already completed, in the first nine months, quite a lot, it seems to me. We have a new team in the top management echelon at USDA, a group made up of individuals who understand farmers because many of them, including Secretary John Block, are farmers. We have people who understand agricultural businesses and the farm and food system because some of us came from farm businesses. We have a balanced blend of people who have a wealth of expertise in the areas of USDA which they supervise, for which they have policymaking responsibility.

This team has been working hard to shape U.S. farm policies and the U.S. Department of Agriculture in a manner fully consistent with the Reagan Administration's overall philosophy.

This is the year for a farm bill. The 1977 Farm Act expires this year. As a matter of fact, it ran out a week ago last Wednesday, on Sept. 30. I'm sorry to say, we do not as yet have anything to replace it, although we are very close. The Senate has passed a bill and the House is in the midst of legislating its version. Within a week or so, it appears, the Congress will complete action and will send a bill to the President which will determine basic farm policy for the next four years.

The House of Representatives must recognize as it considers the bill, that farmers are more interested in controlling inflation and high interest rates than they are in excessively high price supports. Last week's first important vote on the dairy provisions says that the House does not understand this. A dairy support program was passed which simply does not go far enough toward bringing our dairy surplus problem under control. We have just about run out of space to store butter, milk powder, and cheese. We spent almost $2 billion on dairy supports during the past fiscal year. This is far too high. That's

why we are so disappointed with last week's House action. It is unacceptable.

Writing a farm bill has always been a difficult process and it is this year. We have had record crops of corn, wheat, and rice, to mention only a few. As a result, prices are down, sharply down. And with high interest rates, high energy costs, high production costs, farmers, like meat packers, are in a difficult period. The farm bill will not solve these problems. Farmers know that. But most of them have long ago learned that they did not benefit and were actually harmed by government farm programs which promised prosperity.

Farm prosperity will come, and fairly soon, in my opinion, when the economy has been turned around, when inflation has been slowed a lot, when interest rates drop further, and when world-wide economic problems begin to improve and demand for our farm products is stronger. These things are starting to happen, and, in the next year we will see more clearly how the last two decades of the 20th century will be a really prosperous period for U.S. agriculture.

At the Department of Agriculture we are in the midst of reshaping the reorganization to respond to the Reagan initiatives and to the needs of agriculture in the years ahead. This means sharp budget cuts, sharp reductions in many, many programs. Some of these have already taken place, some are yet to be announced.

We will be trimming off the fat in all programs just as fast as we can. We will be reducing or eliminating programs which do not meet the criteria of need or appropriateness. There have been, you know, many programs established in the federal government which never should have been started. The basic question of the role of government comes into play in our review of what we have been doing. When we are finished I believe we will have eliminated all of those programs at USDA which individuals could do for themselves, or which the private sector could accomplish without government domination.

Having done this, much will remain. USDA will continue to be a large and vitally important agency. We will continue meat inspection, of course. And our essential activities in animal and plant protection, disease and pest control and eradication, in grading and inspection of farm products, in market news, economic analysis, and crop and livestock statistics, in soil conservation, in food programs for the

needy, and in managing the nation's forest, to mention only a few.

Major emphasis will be placed upon the long term preservation of our farm resources, on research, on improved productivity, and on export market development. These will be high priority.

But though we maintain these functions, though we must continue, for example, meat inspection, we will be proposing some major changes in this big, costly program, changes designed to reduce its cost and to retain or improve its functions. Details of such changes will soon become public. Your industry will be given ample opportunity to give us your views. I urge you to view such changes with an open mind. Give us a chance to accomplish what is needed so badly, a reduction in the size and cost of the Federal government.

I look back upon my service as the president of your organization with a great deal of pride and with a host of pleasant memories. I'm pleased to be here with you today, pleased to see so many friends here this morning. I hope, as you visit Washington, you will come by to see me whenever you can.

Thank you.

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Remarks of Secretary of Agriculture John R. Block before the U.S. Agricultural Attache Conference Seoul, South Korea, Oct. 13, 1981

I welcome the opportunity to speak with you today. Agricultural counselors, attaches and trade officers and the work they do are not new to me. I have met many of you before. When I was director of the Illinois Department of Agriculture, I traveled to many overseas posts and saw the excellent work you do on behalf of the American farmer.

Now, as secretary of agriculture, I value you and your efforts even more. I depend on you to supply me with information I need to make decisions about foreign competition, international trade and domestic farm programs. I count on you to carry out the administration's plans for export expansion. And I look to you to advise me on how we can help the U.S. farmer sell even more products overseas.

You play a particularly critical role in your work here in the Far East. The 15 posts you cover represent nearly $14 billion in U.S. farm trade. You are responsible for both of our biggest overseas markets—Japan and our fastest growing market—the Peoples' Republic of China.

President Reagan's economic recovery program recognizes that our ability to trade is one of America's foremost strengths. This program relies on a greater market orientation, less government regulation and more freedom for the economy to work. Government intervention in agricultural markets should be reduced and trade should be allowed to expand freely. Our goal is continued growth in agricultural exports, which are now more important than ever to farm income.

With record grain crops expected this year—and a soybean crop second only to the tremendous crop in 1979—it is more important than ever that we push exports to the highest possible levels. In the face of this, we have seen some softening of world demand this summer and fall because of the increased value of the dollar and world economic conditions.

We also recognize that the world has become more competitive in grains and soybeans, partly as a result of ill-conceived embargoes that have encouraged other producer countries. All in all, we have our work cut out for us in selling abroad.

This situation requires that we make the best possible use of the marketing tools that we have—within the budget constraints we now face. We also must work harder to obtain and maintain market access for U.S.products.

DEALING WITH ACCESS PROBLEMS

Obviously, if a customer country will not allow our products in, it doesn't make any difference how much we have to sell, how hard we promote it, or even how competitive we are in price. We have become very sensitive to access problems in two major markets—the European Community and Japan.

In the spring, I had the opportunity to speak directly with leaders of the European Community, and to express these concerns. I assured them that we would stand up for our trading rights in Europe as well as in Third Country markets. Specifically, we talked about EC export

subsidies and possible restrictions affecting soybeans and nongrain ingredients.

Since then, we have seen no improvement. In fact, we fear that an internal tax on vegetable and marine fats and oils may be imminent. This would affect oil produced from U.S. soybeans and would be a violation of the zero duty binding on soybeans going all the way back to the Dillon Round. We are also concerned about the possibility of an expanded export subsidy program in the EC.

Due to these increased concerns over the impact of EC agricultural policies on U.S. trade, the U.S. government is considering a new strategy for dealing with EC export subsidies.

We believe the U.S. must take a firm stand against the market disruption caused by EC sudsidized exports. We will attempt to convince EC decisionmakers not to implement harmful policies. Previous policy relied on reacting to EC subsidies rather than anticipating and attempting to head off EC policies before they are adopted. Our strategy will attempt to deal with all EC policies which unfairly place U.S. exporters at a competitive disadvantage.

We also continue to have access problems with the Japanese, although progress has been made over the years. Beef and citrus are two of the commodities for which we have been pressing for greater access—and we will raise that subject again in Tokyo within the next few days.

MEETING THE COMPETITION

We are moving on several fronts to meet the threat posed by the growth in competition, especially in grains and soybeans.

— We are taking steps to expand grain exports to certain targeted areas, specifically China, North Africa and South America. We sent high-level government-industry teams to several countries—the idea being to expand trade servicing, improve credit programs, and set up marketing plans to meet specific customer needs.

— We are using the same approach to boost sales of soybean products. Last month, two government-industry teams visited Africa, the Middle East, and the Indian Subcontinent to promote sales of U.S. soybean oil.

— We have come a long way toward normalizing our grain trade with the Soviet Union. A U.S. team headed by Under Secretary Lodwick went to Moscow at the end of September for the biennial consultation under the long-term grain supply agreement. At that time, we offered the Soviets up to 15 million additional tons of corn and wheat without further consultations. This would be an amount above and beyond the 8 million tons already assured to the USSR in the sixth year of the agreement. And, of course, we expect to consult again in the spring.

Again, let me say that I am proud of your efforts and your commitment to serving America's farmers and expanding their markets overseas. You are the front line in market promotion. We are looking to you for still greater achievement in the coming year.

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Remarks prepared for delivery by Deputy Secretary of Agriculture Richard E. Lyng, at a ceremony marking World Food Day, Oct. 16, 1981

"THE ROLE OF USDA"

Today, some 36 years after the founding of FAO, we gather to celebrate World Food Day. In at least 120 nations around the globe, men, women and children are pausing to consider the progress that has been made, and the progress yet to be made, in fulfilling the goals set out in the FAO Constitution.

FAO's Constitution calls upon the subscribing nations to "raise the levels of nutrition and standards of living of the peoples under their respective jurisdictions" and to contribute to "expanding the world economy and ensuring humanity's freedom from hunger."

The United States has given support to the concepts of the charter in both our domestic and our international policies.

I was Assistant Secretary at USDA when President Nixon, on May 6, 1969, called for a program to end poverty-caused hunger and malnutrition in the U.S. I am proud to have played a role in that all-out effort. And I'm prouder still to say that the task of ending poverty-

caused hunger and malnutrition within our borders has been successful.

Among the nations of the earth, the United States has always been a relatively wealthy country, one blessed with a great agricultural potential. Nonetheless, it took us many years to eradicate poverty-caused malnutrition and hunger. Only 44 years ago President Franklin Roosevelt noted that, as we were moving out of the Great Depression, one-third of the nation remained "ill-housed, ill-clad, and ill-nourished."

If the task of ending hunger and malnutrition has not been easy in the U.S., we may certainly expect difficulties in the fight to end hunger and malnutrition throughout the world. But because that fight is such a commendable one, a necessary one, the U.S., as always, can be depended upon to do its share and more.

Even before FAO was established in 1945, the U.S. was in the habit of helping out in cases of extraordinary need. The American people voluntarily banded together to send food relief during the Russian famine of 1891; in 1907 Congress appropriated money for food to be sent to earthquake victims in Martinique; we aided China during the famine of 1921. In the postwar period from 1945-48, the U.S. supplied more food to the hungry abroad than any other nation has ever done before or since. About $30 billion in food aid has been provided under the Eisenhower Food for Peace program initiated in 1954.

During his address at the Seventh Ministerial Session of the World Food Council, Secretary Block pointed out that the U.S. continues to enhance world food security by our reserves policies. The U.S. is unique in having developed reserve policies designed to meet domestic and international needs. Our farmer-held reserve is designed to rapidly respond to market signals. Our food security reserve of 4 million tons of wheat backs our concessional commitments and can be released to meet global food emergencies. The U.S. is urging other exporting nations as well as importing nations to each adopt national reserve policies.

In addition to helping out in emergency situations, the U.S. is vigorously pursuing international trade policies which it believes will be to the long-run interests of all nations—developed and developing.

It seems clear that developed and less developed nations alike will increasingly depend on America's agricultural exports. The best way to

maintain an adequate supply for export will be to provide our efficient farmers with an adequate profit so they can continue to make productivity-boosting capital investments. Protectionism and export subsidies, particularly by the large exporting nations, are making it more difficult for our market dependent farmers to compete in world markets. And trade barriers in the developed nations are placing severe impediments to needed agricultural growth in developing countries. Speaking at the meeting of the World Food Council, Secretary Block warned: "We are concerned about increasing protectionism in parts of the world and urge that all countries exercise vigilance to avoid measures that would hamper trade growth in the future."

The developing countries constitute a large and expanding market for U.S. agricultural exports. In 1981, the U.S. agricultural exports to the developing countries will amount to $16.5 billion. We know that trade cannot be one directional—the developing countries must have some way of earning needed foreign exchange. I am pleased to say that the U.S. is the largest single country market for the agricultural exports of the developing countries. Also, as President Reagan pointed out in his remarks to the Governors of the World Bank and the IMF, America receives half of the manufactured goods which non-OPEC, developing countries export to the industrialized countries.

In recent years, the U.S. has directed its bilateral assistance more to the most needy countries. As Secretary Block has said, "We see agricultural development as providing the foundation for overall economic development in most developing countries." The U.S. will continue to provide technical assistance to low income countries in training their agriculturalists. And we will continue to urge the international financial institutions and other international organizations of which we are a member to allocate assistance to the most needy countries, and to utilize a larger portion of their resources in food and agricultural projects. With added technical assistance and with adequate market incentives, farmers in the less developed countries will be increasingly more productive. We will urge these countries to give more rein to the free market and to phase out policies that hold down profit opportunities and incentives in agriculture.

The U.S., then, has a strong interest in the reasons we celebrate World Food Day. We are confident that nations can and should develop

together. This development will occur by facing the fact that nations are interdependent—what one nation has in minerals, in technology, in quality of soil or climate, another lacks. Only by free trade and exchange of information can nations overcome their deficiencies and share their abundance with one another. We will do all in our power to bring about such a world.

Thank you.

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Testimony

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Testimony by John B. Crowell, Jr., Assistant Secretary of Agriculture for Natural Resources and Environment, U.S. Department of Agriculture Before the Subcommittee on Forests, Family Farms, and Energy Committee on Agriculture United States House of Representatives Oct. 15, 1981

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

Thank you for the opportunity to appear before the Subcommittee and discuss the National Forest System timber sale program. On September 29, we announced that a decision would be made in mid-October on whether to extend existing National Forest timber sale contracts. This morning the Chief of the Forest Service announced a revision to the current policy on timber sale extensions. Thus, the Forest Service has further revised the policy placed in effect in 1980. The new policy will permit timber sales made before January 1, 1981, and expiring before April 1, 1985, to be extended for up to 2 years at the option of the purchaser. Extensions of up to 2 years will also be available on sales which were previously extended. We are also announcing for discussion and comment some changes in policy regarding future sale of National Forest System timber.

I would like to give the Subcommittee some background on the issues involved in the extension of timber sale contracts, the state of the forest products industry, and more details regarding our new policy.

I am sure the Subcommittee is aware that the unprecedented interest rates of the past 2 years have resulted in a serious reduction in housing construction. This has had devastating consequences for the wood products industry nationwide, but particularly in the Pacific Northwest. You are all aware of the results to employment and on the economies of those areas dependent upon this industry.

Another factor directly bearing on the economic health of the industry today is related to those conditions that existed prior to 1980 which drove up the prices bid for National Forest timber. The prices bid for the timber on some sales are much too high to allow them to proceed with harvest under the current market conditions. In fact,

prices for some sales were bid so high, particularly in California, western Oregon and, to a lesser degree, western Washington, that they cannot be profitably harvested even if the economy would permit a return to a more normal market situation; the only way such sales could be cut would be if an easy money policy were to refuel a raging inflation. All of this has created pressure to extend sales in the hope that the future will bring some relief. Dimension lumber production in the Pacific Northwest and pulpwood production in the Lake States have been the hardest hit by the continued poor market conditions.

A significant consequence of the downturn in demand for wood products has been a major disruption of planned harvest operations on National Forest timber sales. As a result, receipts to the U.S. Treasury and revenue normally available to local governments through the 25 percent fund payments are down. Roads needed for future sales have not been constructed as planned. Planned reforestation projects have been delayed.

We are seriously concerned about this disruption to National Forest management activities. This concern has led to the action announced today which is directed to the short-term problems of delayed timber harvest operations. This same concern has led us to consider changes in timber sale procedures designed to minimize the impacts of cyclical wood products markets on our land management activities.

We do not seek to isolate timber purchasers from the impacts of market changes, but we believe the steps we plan will help to provide a continuity of supply of wood products to meet the needs of the American people and, at the same time, help to protect the economies of dependent communities.

Unless the Chief of the Forest Service determines that there is an overriding public interest which justifies modification of the extension policy, the USDA policy for all timber sales sold after July 1, 1978, required that several criteria be met before an extension of only 1 year could be authorized.

These criteria are:

— 75 percent of the sale volume cut has been removed,

— all specified road construction has been completed,

— operations have been in compliance with the purchaser's plan of operation,

— contractual requirements, such as erosion control, slash disposal and snag felling have been kept current with logging progress, and

— buyer agrees to make monthly deposits of the unpaid portion of the estimated purchase price during the extension period.

Because of the market conditions in 1980, it was deemed necessary and in the public interest, to waive these criteria. Accordingly, the Chief announced on May 23, 1980, what we now call the first revision of sale extension policy. It provided that sales sold prior to April 1, 1980, and which terminated prior to April 1, 1982, could be extended for up to 1 year. An estimated 1,423 sales will be extended under the relaxed criteria; about 1,000 of these are already extended. One of the details of today's announcement is that the 1-year extension with prepayment will still be available on the same sales for which it was originally announced. Those sales will qualify also for the 2-year extension. The situation which caused the revision of policy in 1980 continues today. Within the past 2 months there has been significant further deterioration of the lumber market. Indications are that no improvement will occur until mortgage rates fall and the housing market shows signs of recovery. An immediate consequence of the curtailment of timber harvest operations is the threat that a large number of purchasers may default on their outstanding timber sale contracts. If current market conditions continue, and most housing experts see no immediate improvement, it appears that in the next 6 months 155 sales involving 325 million board feet and 124 purchasers might default. For the period April 1, 1982, to April 1, 1983, without extensions an additional 803 sales may default uncompleted. They involve 645 purchasers and nearly 2.4 billion board feet. This volume is approximately 20 percent of a normal year's National Forest timber sale program.

I want to emphasize the potentially devastating effect that defaults may have on a few individual firms as well as employees and the local communities. Sale contract provisions require assessment of damages in the event of default that are related to the value of the timber when resold. Market conditions today probably would result in resales at prices considerably less than the amount bid on the original offerings. The difference would be the measure of damages owed to the United

States by the original and defaulting purchaser. Bankruptcies are a very real threat.

As I am sure you can appreciate, Mr. Chairman, we have been importuned further to relax the extension policy. Requests have come from individual purchasers as well as from Members of Congress. I want to emphasize that there appears to me to be no concensus in the industry either for or against further relief. We are aware that some members of the industry are advocating a legislative proposal to allow purchasers to turn back sales with minor penalties. We have not had an opportunity to study their proposal in sufficient detail to give you our views. If the actions currently being taken are found not to be effective, some form of legislative relief may eventually become necessary, but on the other hand, the relief we are announcing today may provide an adequate remedy.

Some industry people believe further relaxation would encourage speculation, drive prices even higher and punish those purchasers who have continued to operate and complete sales at a loss during the depressed markets. Maintaining the present policy would also present a consistency and might force more harvest of National Forest timber sales. On the other hand, if we did not relax the policy further, it could result in widespread defaults. No relaxation would be most harmful to companies with limited cash flow or with no alternative timber source.

It was the consideration of these factors I have just cited that led to the decision announced today to authorize extensions for up to 2 years for current sales expiring before April 30, 1985, and to authorize an additional 2-year extension of sales previously extended. The extensions will be made under the conditions that the purchaser agree to complete specified road construction by the end of the first operating season following the date of the extension and that he make payment of the estimated remaining unpaid purchase price during the last operating season of the extension.

The events of the past 2 years and the pressures to relax timber sale extension policy point out a very real need to examine our procedures for selling timber to prevent the situation from recurring. Some extremely high prices have been bid and are still being bid for National Forest timber, especially in the Pacific Northwest, California and the South. The practical effect of this is that it prevents profitable

operations at current or near-term market levels. Sales bid at very high prices are economically unavailable as a source of supply, causing an artificial shortage of logs while driving lumber prices even higher during periods of strong markets.

Several objectives need to be considered in evaluating proposed contract revisions. The objectives include encouraging more orderly marketing of public timber to meet the public's needs, providing a more even flow of cash to the United States, helping insure responsibility of bidders, and discouraging successful bidders from holding timber under contract for long periods of time. Finally, there is the need to reduce, if not to eliminate, future extensions of contracts. For these reasons we have decided to revise future sale contract provisions.

Sale contract revisions being considered include requiring a cash deposit at the time of sale award equal to 5 percent of the appraised value, to be retained until road construction is completed and 25 percent of the sale volume is presented for scaling. Another change under consideration is to evaluate bids on the basis of present net worth. This would require stumpage payments by the purchaser to be made on the basis of an operating schedule submitted by the prospective purchaser at the time of bid. Also under consideration is requiring a bidder who has an excessive volume of Federal timber already under contract, to make a higher cash deposit as a condition of award of the new sale; this would increase the cost to him of holding timber under contract. We also plan to reduce the average length of timber sale contracts to discourage buying and and holding large volumes of timber. All of these and other measures under consideration are designed to provide an orderly flow of timber to the market.

We have begun discussions with the forest products industry on the need for sale procedure revisions and on the proposals I have just described. We believe the industry is receptive to revisions; they have demonstrated their willingness to cooperate in this effort. Implementation of revisions which we may ultimately adopt will be made only after an opportunity for full public review and comment has been provided.

Mr. Chairman, that concludes my prepared statement. I would be happy to respond to the Subcommittee's questions.

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News Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

UNITED STATES, KOREA COMPLETE AGRICULTURAL CREDIT AGREEMENT

SEOUL, SOUTH KOREA, Oct. 13—The United States and South Korea have agreed on a guaranteed credit program providing for $590 million in Korean purchases of U.S. farm products during the coming year, according to Secretary of Agriculture John R. Block, who is in Korea conducting trade talks.

Block said the U.S. Department of Agriculture will make available $300 million credit for cotton, $130 million for wheat, $100 million for feed grains, $30 million for soybeans, $4 million for tallow and $26 million not yet allocated. These credits are guaranteed under the GSM-102 program of USDA's Commodity Credit Corporation.

"We are very pleased at the successful completion of this consultation, which began last August in Washington. Credits guaranteed under this export program will help to assure continued growth in the Korean market for U.S. farm products," Block said.

U.S. agricultural exports to Korea now exceed $2 billion a year.

Terms of the credit guarantees are up to a maximum of three years for cotton and one year for wheat, feed grains, soybeans and tallow. Terms for the $26 million in unallocated guarantees will be determined at the time these commodities are designated by the Korean government.

Leading the consultations for the U.S. side was Alan T. Tracy, general sales manager and associate administrator of USDA's Foreign Agricultural Service. The Korean delegation was headed by Shin Joe Kang, assistant administrator for economic cooperation of the Economic Planning Board.

Block is in Korea on the first stop in a series of trade talks that also will include Japan, the Peoples' Republic of China and Hong Kong.

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BLOCK APPLAUDS EUROPEAN COMMUNITY'S DECISION ON OILSEED IMPORT TAX

SEOUL, SOUTH KOREA, Oct. 13—Secretary of Agriculture John R. Block today termed "very important" a decision by the commissioners of the European Community not to impose a tax that would have reduced exports of U.S. soybeans to that market.

Speaking at a meeting of U.S. agricultural officers stationed in Asia, Block said, "We are pleased the commissioners did not impose this tax. That does not mean all of our difficulties and problems are solved with the Common Market, but we are very glad to see this move. Europe is a very important market to us. Our soybean market there is worth almost $2.5 billion annually."

The proposal under consideration by the EC commissioners would have imposed an internal tax on vegetable and marine oils and fats including oil crushed from U.S. soybeans. The United States has maintained such a tax would violate a zero duty binding on soybeans obtained from the EC during the Dillon Round negotiations in the 1950's under the General Agreement of Tariffs and Trade. The proposal was one of the trade issues Block discussed with EC leaders in European capitals last May.

Block spoke at a conference of 18 agricultural counselors and attaches posted at 15 U.S. embassies and consulates from India to Japan. He is in Korea on a two-week series of trade talks that also will include stops in Japan, the Peoples' Republic of China and Hong Kong.

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USDA PROPOSES CHANGES IN NATIONAL POULTRY IMPROVEMENT PLAN

WASHINGTON, Oct. 14—Poultry breeders and hatchers have asked the U.S. Department of Agriculture to adopt 22 changes in the national poultry improvement plan.

The changes were approved by about 100 delegates representing the poultry breeding and hatching industries at the 1980 biennial national poultry improvement conference held in New Orleans, La.

The 22 changes USDA is proposing include:

—Revising the sample from breeding chicken flocks being tested for official Mycoplasma gallisepticum and Mycoplasma synoviae classification;

—Providing for a Mycoplasma gallisepticum testing and classification program for started poultry;

—Providing for a Mycoplasma meleagridis testing and classification program for turkey breeding flocks;

—Exempting the testing of waterfowl for Salmonella pullorum and Salmonella gallinarum when located on the same premises as a participating chicken, turkey or game bird breeding flock, if they are incidental to the participating flock;

—Amending procedures for bacterial examination of Salmonella reactors;

—Establishing procedures for bacterial examination of Mycoplasma reactors;

—Expanding the duties of the general conference committee to include the study of all problems relating to poultry health.

These proposals are scheduled to be published in the Oct. 16 Federal Register. Comments may be submitted until Dec. 15 to: Deputy Administrator, USDA, APHIS, Bldg. 265, BARC-EAST, Beltsville, Md., 20705.

The National Poultry Improvement Plan is a voluntary state-federal cooperative program to improve poultry and poultry products by controlling certain egg-transmitted and hatchery-disseminated poultry diseases.

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USDA NAMES MEAT AND POULTRY INSPECTION ADVISORY COMMITTEE

WASHINGTON, Oct. 14—Assistant Secretary of Agriculture C. W. McMillan today named the 17 members of the rechartered National Advisory Committee on Meat and Poultry Inspection.

The members of this committee represent scientific and public health organizations, federal and state government agencies, academic

circles and various private interest and trade groups, McMillan said.

The first committee meeting, which is open to the public, will be held Nov. 12 and 13 at the Interdepartmental Auditorium, Conference Room B, Constitution Avenue, between 12th and 14th Streets, N.W., Washington, D.C. The agenda includes mechanically processed—species—product, sodium content and labeling of meat and poultry products, food safety and legislative issues.

The advisory committee, which is required by the Meat and Poultry Inspection Act, counsels the U.S. Department of Agriculture on matters affecting meat and poultry inspection programs. The committee's charter was established by Congress in 1971, reestablished in 1978 and renewed indefinitely in 1980.

"The advisory committee is USDA's link with outside groups," McMillan said. "The selection of committee members is based on nominations submitted by various groups. Every effort was made to gain national geographic distribution as well as a divergence of backgrounds and expertise, to achieve a broadly balanced membership."

The new committee members are:

—Roslyn B. Alfin-Slater, School of Public Health, University of California, Los Angeles;

—Carroll S. Brickenkamp, National Bureau of Standards, U.S. Department of Commerce, Washington, D.C.;

—Mahlon Burnette, The Nutrition Consortium, Washington, D.C.;

—Mason Carbaugh, commissioner of agriculture and consumer services, Commonwealth of Virginia, Richmond;

—Frank Rankin Craig, director of health services, Perdue Inc., Salisbury, Md.;

—Esther Cramer, vice president, Community Relations, Alpha Beta Co., La Habra, Calif.;

—E.M. Foster, director, Food Research Institute and chairman, Dept. of Food Microbiology and Toxicology, University of Wisconsin, Madison;

—Robert H. Lounsberry, secretary, Department of Agriculture, state of Iowa, Des Moines;

—John E. McDade, vice president, Norbest, Inc., Salt Lake City, Utah;

—Rosemary Mucklow, executive director, Pacific Coast Meat Association, Inc., San Francisco;

—Dean Pridgeon, director, Department of Agriculture, state of Michigan, Lansing;

—Ernest Ross, poultry scientist, Department of Animal Sciences, University of Hawaii, Honolulu;

—Keith Sebelius, former member of Congress, First District of Kansas, Norton;

—Yvonne Vizzier, director of laboratory services, Marshall Durbin Companies, Jackson, Miss.;

—William D. Waters, farmer, Palmyra, N.C.;

—Elizabeth Whelan, executive director, American Council on Science and Health, Summit, N.J.; and

— George D. Wilson, American Meat Institute, Rosslyn, Va.

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USDA TO RAISE FEES FOR MEAT GRADING SERVICES

WASHINGTON, Oct. 14—Effective Nov. 29, fees charged to meat packers and processors who use the U.S. Department of Agriculture's grading and certification services will be raised by $3 an hour for work in regular time.

Thomas H. Porter, an official of USDA's Agricultural Marketing Service, said the increase is needed because of pay increases to federal workers in October and other increases in costs of conducting the grading and certification program.

Fees will be increased from $20.20 to $23.20 per hour for work performed between 6 a.m. and 6 p.m., Monday through Friday.

Grading and certification work performed on Saturday, Sunday and between 6 p.m. and 6 a.m. Monday through Friday will increase from $25.20 to $28.20 per hour. Fees for work done on legal holidays will be increased from $40.40 to $46.40.

Meat grading and certification are voluntary services provided to meat packers and processors for a fee, Porter said. Fees for these services must be about equal to the cost of providing the service.

Comments on the increase may be sent until Dec. 31 to David K. Hallett, livestock, meat, grain and seed division, rm. M-1, Annex, AMS, USDA, Washington, D.C. 20250.

Notice of the fee increase will be published in the Oct. 14 Federal Register, available at most public libraries.

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BLOCK URGES COOPERATION TO ELIMINATE WORLD FOOD PROBLEMS

TOKYO, Oct. 16—Secretary of Agriculture John R. Block today urged developing nations to build a strong agricultural base to provide the foundation for a strong national economy so their peoples can trade for food they cannot produce themselves.

In a World Food Day statement issued while he is visiting the Far East to discuss agricultural trade, Block expressed the hope "that people everywhere will cooperate in eliminating world food problems.

"The long-term solution to the growing demand for food is to increase the productivity of agriculture worldwide and to increase the purchasing power in those countries which cannot produce enough to meet their needs," Block said.

Expressing pride in U.S. efforts to help solve world hunger, Block said: "Through our Food for Peace program we have made it possible for nations in need to receive more than 387 million tons of American food aid valued at about $30 billion. We have sent hundreds of agricultural experts to developing nations to help them improve their agricultural productivity.

"We have made the results of our agricultural research freely available worldwide, and we have provided intensive agricultural training for thousands of students from other countries."

"While we have done much to help ease world hunger, much more remains to be done," Block said.

He continued:

"Throughout the world today, citizens in 120 nations are reviewing their domestic and international agricultural policies in commemoration of World Food Day. At the request of the Food and Agriculture

Organization, this day has been marked for people in all walks of life to examine those issues.

"President Reagan officially proclaimed World Food Day in the United States, and Americans in hundreds of communities across the nation are actively participating."

Block is discussing agricultural trade and related matters with officials of China, Japan and South Korea. He plans to return to Washington, D.C., Oct. 23.

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FOREST SERVICE EXTENDS TERMS OF TIMBER SALE CONTRACTS

WASHINGTON, Oct. 15—Two-year extension on most national forest sales contracts are being made available, R. Max Peterson, chief of the U.S. Department of Agriculture's Forest Service, announced today.

"Assistant Secretary John Crowell and I have agreed that this action will not only provide much-needed economic relief for communities which are dependent upon national forest timber activities, but it also will minimize disruptions in our future timber sale program," Peterson said.

Peterson said the extension requirements which go into effect today, will apply to national forest timber contracts issued prior to Jan. 1, 1981, and which are due to expire before April 1, 1985. The new provisions allow qualified contracts issued during this period to be extended, if requested by the contractor, for as much as two years upon expiration.

Contracts which were previously extended for one year will also be eligible for the additional two year extension when they expire. Contracts for timber which is subject to rapid deterioration will not be eligible for extension under this policy.

Firms which successfully bid for the right to harvest timber on national forests agree to time limits within which all of the contract's terms must be met. Forest Service rules normally require that certain

amounts of timber must be harvested and certain roads must be built before contracts can be extended.

"Although the time limits on harvesting will be extended to qualified timber purchases, we will continue to require the purchaser to complete most specified roads during the first year of the contract extension in order not to delay the logical progression of other timber sales and harvests.

"During the second year of the extension, the purchaser must pay for timber on a scheduled basis," Peterson said.

In addition to waiving certain contract extension requirements, Peterson said the Forest Service soon will make changes in the standard conditions for new timber sales. These changes will encourage the prompt harvest of national forest timber and speed the flow of cash resulting from these sales to the U.S. Treasury.

These proposed changes in new contracts will be published in late November and public comments will be invited over a 60-day period. The changes will go into effect in 1982.

"We believe that the additional time provided for contract performance and the changes we are proposing for new timber sales will relieve the serious economic problems now being faced by many purchasers of national forest timber," Peterson said.

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NEW YORK FIRM VOLUNTARILY RECALLS ROAST BEEF

WASHINGTON, Oct. 15—Roast beef produced by an Albany, N.Y., firm is being voluntarily recalled after tests conducted by the U.S. Department of Agriculture confirmed at least two samples contained salmonella, a food poisoning organism.

Several students at the State University of New York, Oswego, reported becoming ill after eating the product, said Donald L. Houston, administrator of USDA's Food Safety and Inspection Service.

Houston said the roast beef was sold by State National Provision, Inc., under the Orlev and State National brand names to retailers and wholesalers in New York, New Jersey, Connecticut, Massachusetts and

Rhode Island. The product is sliced to order in delicatessens and cafeterias.

No figures on the amounts of roast beef involved are yet available, Houston said.

"The firm has been cooperative throughout USDA's investigation of the problem," Houston said. "State National Provision today agreed to notify its distributors to return suspect roast beef products. The distributors, in turn, will immediately notify wholesalers and retailers in the five states involved."

Salmonellosis is the most common form of food poisoning in the United States. It is usually the result of improper cooking or handling of meat and poultry products. Salmonella organisms are destroyed by thorough cooking.

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ENGINEERS DEVELOP EXPERIMENTAL GRADING INSTRUMENT

WASHINGTON, Oct. 16—Engineers from Kansas State University, working under contract with the U.S. Department of Agriculture, are developing a new instrument that can measure lean, fat and marbled areas in meat—factors used in grading meat.

The device uses a TV camera to show the meat on a screen. A computer converts what the camera "sees" into numerical codes for fat, lean and marbled portions of the meat section.

"The device should be considered experimental at this point," said H. Russell Cross, a scientist with USDA's Agricultural Research Service. "Further development will be needed before it can be used in actual meat grading." Cross is a food technologist at USDA's Roman L. Hruska U.S. Meat Animal Research Center, Clay Center, Neb.

The device was developed as part of a contract with the university to develop an instrument to measure fat thickness, total lean and fat area and the proportion of marbling within a fixed portion of the ribeye muscle, Cross said.

Cross will lead further studies on objective measuring devices for use with animal carcasses. He will do additional work with the video

technique and will investigate such other approaches as ultrasound, infrared and electrical conductivity.

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